

APR 11 1997

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MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND
TECHNOLOGY)
PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE
(ACQUISITION AND TECHNOLOGY)
DIRECTOR, DEFENSE PROCUREMENT
DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION
REFORM)
ASSISTANT SECRETARY OF THE ARMY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE
(ACQUISITION)
DIRECTOR, BALLISTIC MISSILE DEFENSE ORGANIZATION

SUBJECT: Single Process Initiative (SPI) Biweekly Activity Report

Forwarded for your review is our biweekly report for the period ending April 11, 1997. This report contains an update on DCMC's SPI activities since our last quarterly report, including expanding the role of Management Councils beyond just SPI and stepping up efforts to increase subcontractor involvement in the program.

Should you have any questions or concerns regarding information contained in the attached documents, please contact Ms. Marialane Schultz, SPI/Block Change Management Team Leader at (703) 767-2471.

//Signed//
ROBERT W. DREWES
Major General, USAF
Commander

Attachment

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Single Process Initiative
Biweekly Report
April 11, 1997

Introduction

This biweekly report outlines our initial efforts to increase subcontractor involvement, including steps taken by industry associations in this area. It also features DCMC's current push to expand Management Councils beyond just SPI. Other areas of interest are covered as well.

Workload Statistics

To date, we have received a total of 792 proposed process changes from 166 contractor facilities. This reflects an increase of 27 new processes and 6 new contractor facilities since our last report of 765 and 160, respectively. Three of the six new contractor facilities are owned by top 200 defense contractors. In addition to new processes received, our Administrative Contracting Officers (ACO) have executed 10 new block change modifications, bringing the total number of processes modified up to 386.

Appendices A, B, and C contain summary information on SPI activity and details on modifications executed during the current reporting period. Appendix D provides details on new contractors participating in the program since our last report.

Management Councils

Over the next three months, DCMC will focus on increasing the number of Management Councils and expanding their role in improving contractor/government operations. Major General Drewes will launch this effort during a video teleconference (VTC) on April 11, 1997, wherein he will outline expectations in establishing and effectively utilizing Management Councils. Several other activities will also be conducted following the VTC, such as featuring Management Council workshops at the upcoming DCMC Commander's Conference in May 1997 and mentoring individual Council's where needed.

DCMC's International District (DCMDI) is working to increase the number of International Management Councils. Just this month, they added six additional Management Councils for a total of nine. These nine councils are located at GEC Marconi Rochester, U.K., GEC Marconi Basildon, U.K., Diesel Division of General Motors in Canada, Ontario, Canada, Rolls Royce, Pratt and Whitney, Korean Air Lines, Airod, Canadian Commercial Corporation, and Fomento. DCMDI has established a metric for tracking Management Council activity and they have developed a Road Show on Management Councils that is posted on the DCMC Home Page.

Meeting the 120 Day Goal

We are continuously monitoring Management Council performance in meeting the 120 day goal for processing concept papers. For the most part, Councils have been successful in processing concepts expeditiously. However, our SPI database reveals the average cycle time is now 131 days. Concepts in-work that are older than 120 days constitute approximately 13 percent of total processes on-hand. A good portion of these are related to a problem we outlined in our last quarterly report having to do with timely

processing of ARZ modifications at the Mega Center. Nonetheless, we have asked our District offices in the East and West to submit plans for reducing aging concept papers that are not related to ARZ modification input. Additionally, the Block Change Management Team will sponsor a special meeting with NASA and Service representatives on April 17, 1997 to review information related to root causes for delays. Once causes are identified, the group will determine the appropriate action to clear remaining hurdles.

Increasing Subcontractor Involvement

In an effort to extend the benefits of SPI to defense subcontractors, many activities are currently underway. One example is a recent study conducted by DCMC's District West involving a large prime contractor and several of its subcontractors. The purpose of the study was to examine the inter-relationship between the prime and subcontractors as they explore using alternative processes under SPI. Specifically, the study focused on obstacles subcontractors may encounter as they attempt to participate in the program. For instance, while these subcontractors were quite receptive to SPI, they cited prime contractor cooperation as the biggest hurdle to successful implementation of common processes due to the large number of primes they must serve and the difficulty in obtaining agreement from most or all to approve such processes. Additionally, they cited a lack of engineering resources, initial investment required, and privacy concerns, as stumbling blocks to participating in SPI. DCMC is exploring ways to facilitate removal of some of these obstacles without disturbing privity of contract between prime and subcontractors.

Industry associations must take an active role in addressing these hurdles as well. The Aerospace Industries Association (AIA) is taking a first step in this direction by setting up a Supplier-Management Council within AIA that will consist of 10 companies (four primes and six suppliers).

Featured Facility: DCMC Detroit--General Dynamics, Land Systems Division (GDLS), Warren, MI

General Dynamics, Land Systems Division (GDLS), Warren, MI, has been the U.S. Army's sole source for battle tanks for decades. GDLS formed a Management Council (MC) in July 1996, centered on SPI efforts that affect contracts associated with the M1A2 Abrams Upgrade Tank (AUT) program. Top management at General Dynamics (GD) has established a corporate policy to ensure that all GD concept papers comply with a company-wide common process approach. The MC has used their experience to streamline the approval process, creating an "overarching" MC whose principle duties are to support local MC efforts at GDLS satellite facilities, and when required, arbitrate disputes to ensure that company-wide concept papers meet the needs of the satellite facilities.

To date, eight SPI modifications have been negotiated and included in a performance based, multi-year contract between the government and General Dynamics. These actions have improved the way business is performed at General Dynamics, the buying command (TACOM), and within DCMC. The SPI concept papers submitted by GDLS have addressed the elimination of multiple processes (testing requirements and data deliverables), the use of best commercial practices (GDLS's SPI implemented pollution prevention program exceeds the requirements of Presidential Executive Order # 12856), and the reduction of government oversight (GDLS's subcontractor control process). Specifically, SPI has enabled GDLS to reduce testing requirements, eliminate 54 contract data requirements, reduce the reporting frequency of 8 data items, and provide direct government electronic data interchange access to the contractor's data items and databases, thereby reducing production and delivery costs of all remaining contract data deliverables.

In September 1996, the U.S. Army and GDLS signed an AUT phase II, multi-year contract for the production of 580 M1A2 tanks with an option for 20 additional tanks. The Abrams Program Executive Office undertook the challenge of reducing acquisition costs of the AUT program to meet severe budgetary constraints, while at the same time supporting an efficient fielding plan and sustaining the industrial base. The initial terms of the multi-year M1A2 Army Tank Upgrade program contract cited a “90 tanks per year” production rate. The eight SPI modifications were key to negotiating an increased production rate of “120 tanks per year”, and contributed, in part, to \$214 million in cost reduction initiatives realized in the AUT phase II, performance based, multi-year contract.

Lessons Learned

Since implementing SPI 15 months ago, Management Councils have worked to maximize their effectiveness. We are capturing key lessons learned from the field to be compiled and published in the Command’s quarterly newsletter entitled, “DCMC Communicator.” Some of the areas of interest are Creating and Running Effective Management Councils, Measuring and Obtaining Results, Meeting the 120 Day Goal, and more.

Enhancing Awareness

We are continuing our education and outreach activities to raise awareness of SPI and management councils within government and industry. We are emphasizing the importance of expanding the roles of Management Councils and vertically expanding SPI to subcontractor and vendor levels.

- We presented our Defense Systems Management Council SPI and Block Change Seminar twice during the first week of April 1997. These two DSMC electives address both the buying activity and contract administration perspectives, and include DoD and Component policy, status and history of the SPI initiative. These materials have also been provided to the Army Logistics Management College for inclusion in their Defense Specification Management and User Courses.
- The DCMC SPI Management Team is conducting bi-weekly VTCs with its District offices. These VTCs ensure a uniform interpretation of the SPI agenda, ensure our activities are consistent with OSD’s strategic direction, and delineate clear roles and responsibilities. We have conducted two VTCs with the most recent occurring on April 8, 1997. At this VTC, we discussed lessons learned, open concept papers over 120 days old, Management Councils, and Acquisition Reform Day feedback.
- On April 9, 1997, DCMC District East provided a presentation to the Long Island Chapter of the American Society for Quality Control (ASQC) covering topics such as the National Performance Review (NPR), the Federal Acquisition Streamlining Act (FASA), and SPI. The briefing focused on SPI prime-subcontractor relationships and was well received by the attendees.

Concluding Remarks

We believe that partnering with industry associations to promote SPI is a worthwhile endeavor that will ultimately pay big dividends in expanding SPI beyond the prime contractor. AIA has taken a first step toward facilitating participation between prime and subcontractors. This is a very important move on industry's part to proactively address issues in this area. The hurdles that appear to prevent subcontractor involvement are difficult ones to tackle. We must remain persistent and focused to join industry in clearing them away where possible.

Appendix Index

Appendix A - Executive Summary

Appendix B - Charts

Appendix C - Block Change Modifications Completed During Reporting Period

Appendix D - New Contractors During Reporting Period

APPENDIX A

Summary Report

as of: Wednesday, April 9, 1997

Contractors Which Have Submitted Concept Papers:	166
Key Customer Notification Complete:	142
Component Team Leaders Identified:	120
Total Concept Papers Received:	713
Concept Papers Withdrawn:	92

**Concept
Papers**

**Proposal
Development:
Concept Paper
(30 Days)**

Concept papers may contain multiple processes

Total Proposed Process Changes:	792
Number Initially Accepted :	720
Not Accepted Within 30 Days of Initial Submission:	26

**Approval Cycle:
Customer
Notification and
Agreement/
Resolution of
Differences
(60 days)**

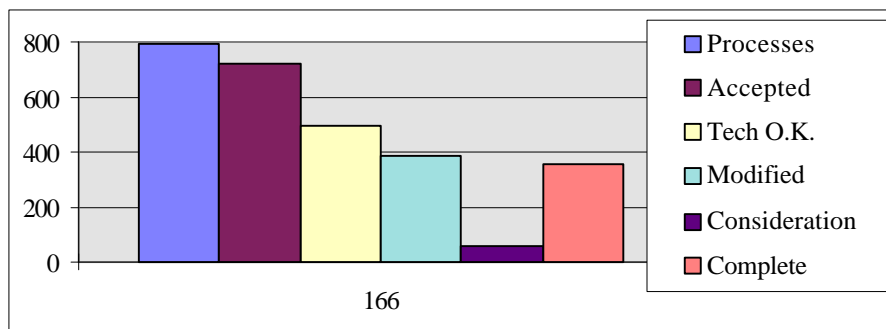
Found Technically Acceptable:					495
Found Unacceptable:					26
<i>Components objecting</i>					
AF	Army	Navy	DLA	DCMC	NASA
11	13	15	3	17	2
Disagreements/Problems Escalated:					1
Not approved within 60 days of Mgt Cncl Acceptance:					68

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**Modification
Issuance:
Negotiation of
Consideration
(30 Days)**

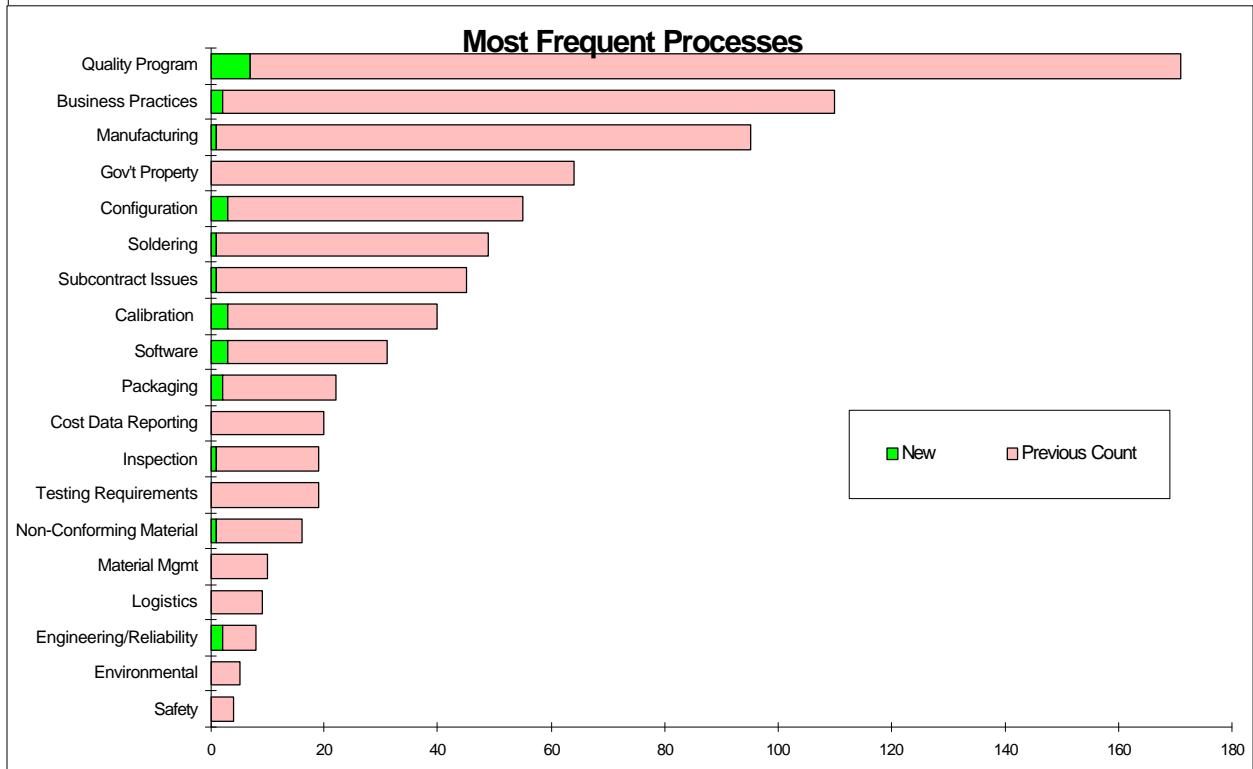
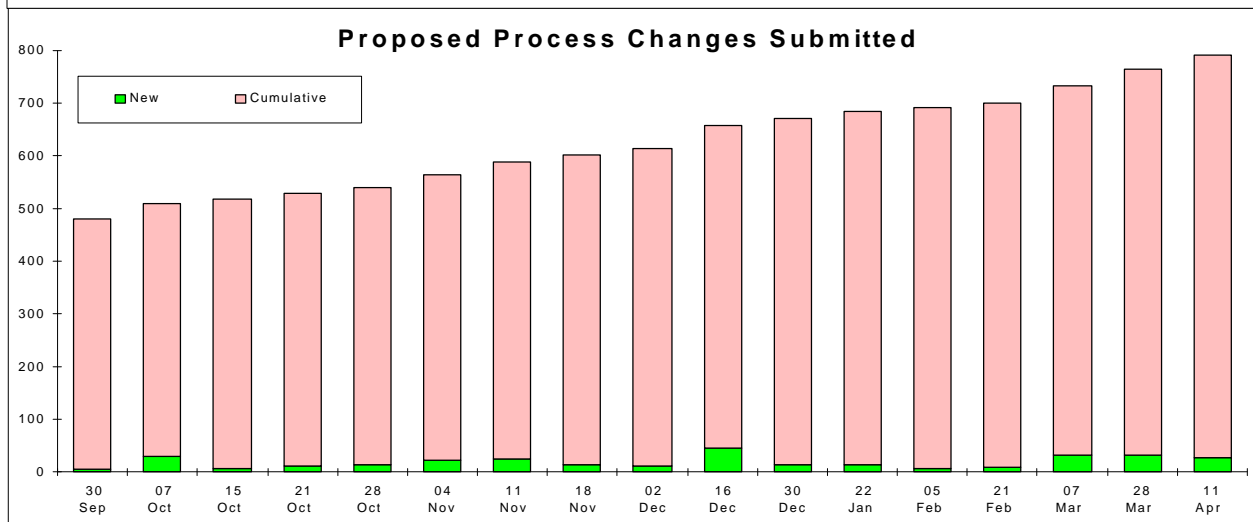
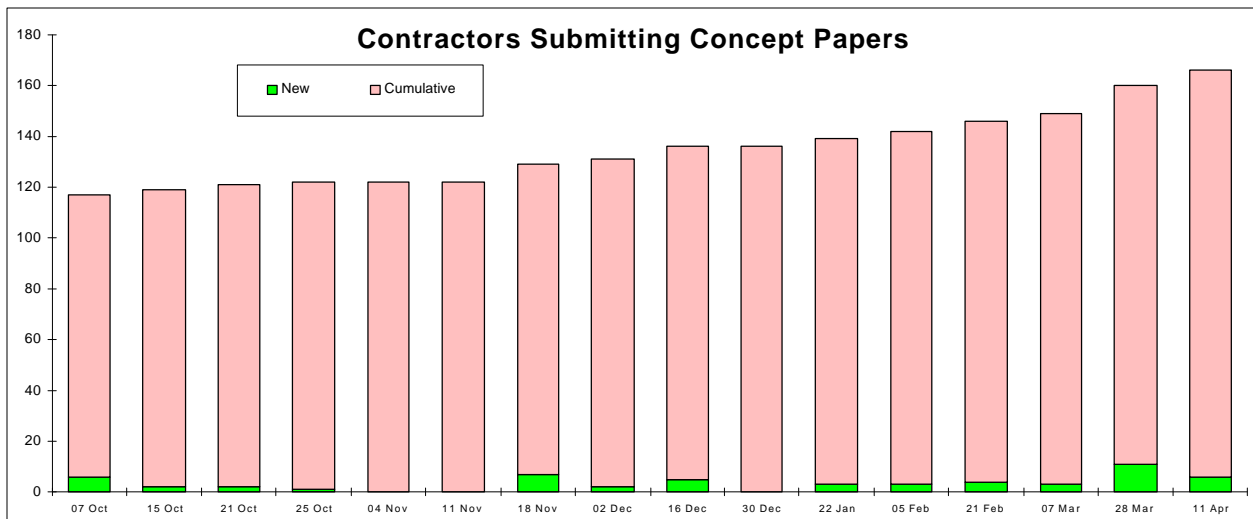
Processes Modified:	386
Not Modified within 30 days after Tech Acceptance:	43
Average Days From Submittal to Mod:	131

Consideration Requested by Government:	56
Cost Proposals Received:	46
Consideration Finalized:	24
All Actions Complete:	354
Currently Active:	290



Appendix A

APPENDIX B



APPENDIX C

Details on Block Change Modifications Completed During this Reporting Period

<u>Contractor</u>	<u>Old Process</u>	<u>New Process</u>
Allied Signal Avionics, Olathe, KS	DFARS 211, FAR 52.212-4/-5, 44.402, 52.244-6	Incorporate new FASA Regs on COTS Items IAW FAC 90-38
Boeing N. American, Rocketdyne Div., Canoga Park, CA	DOD-STD-2167A/-2168, MA-001-006-2H, NMI-2410.6 MIL-Q-9858A, MIL-STD-1520B, NHB 5300.4(1B), SSP 41173A	EIA/IEEE J-STD-016-1995 ISO-9001 based Quality System
G.E. Aircraft Engines, Cincinnati, OH; Lynn, MA; Arkansas City, KS	FAR 52.244-6, Subcontracts for Commercial Items and Components	FAR 52.244-6, Subcontracts for Commercial Items
Litton Electro-Optical Devices, Tempe, AZ	MIL-STD-454/2000	ANSI/J-100, Solder Specification, Class II
Lockheed Martin Astronautics, Denver, CO	MIL-C-45662A Calibration	ANSI/NCSL Z540-1, ISO-10012-1
Lockheed Martin Missiles & Space, Sunnyvale, CA	C/SCSC - DFAR 252.234-7001	Contractor's EVMS
Northrop Grumman ESID & SBMS, Melbourne, FL	MIL-Q-9858A, MIL-STD-1567, MIL-E-5400	ISO-9000 based Quality System
Talley Defense Systems, Inc., Mesa, AZ	SF 1443	Electronic Data Interchange (EDI)
Westinghouse Electric Corporation, Baltimore, MD	MIL-STD-2000/-2000A, MIL-P-28809A	ANSI/J-STD-001 Industry Soldering Standard

APPENDIX D

Details on New Contractors During this Reporting Period

<u>Contractor</u>	<u>Old Process</u>	<u>New Process</u>
Hughes Aircraft Company - Naval & Maritime Systems (NAMS), Mukilteo, WA	MIL-Q-9858, MIL-I-45208, MIL-STD-1520/-1535	ISO-9000-1 based Quality System
Landmark Manufacturing, Gallatin, MO	MIL-I-45208, MIL-Q-9858	ISO-9002 based Quality System
Litton Amecom, College Park, MD	MIL-STD-454, MIL-STD-2000, NHB 5300.4 MIL-STD-105 Sampling Procedures MIL-STD-45662 Calibration	ANSI/J-STD-001 Soldering ANSI/ASQC Z1.4 - 1993 Inspection ANSI/NCSL Z540-1-1994 Calibration
Lord Corporation Mechanical Products Division, Erie, PA; Dayton, OH	MIL-I-45208A, MIL-Q-9858A	ISO-9001 based Quality System
Northrop Grumman ESID & SBMS, Melbourne, FL	MIL-Q-9858A, MIL-STD-1567, MIL-E-5400 MIL-STD-2167/-2168/-1679 MIL-STD-45662A MIL-STD-1520 MIL-STD-1535	ISO-9000 based Quality System ISO-9003 Software Development ISO-9001 Equipment Calibration ISO-9000/-9004-1 NonConforming Material ISO-9000/-9004-1 Supplier QA
Primus Technologies, Inc., Williamsport, PA	MIL-Q-9858A, MIL-M-28787, MIL-I-45208, MIL-STD-105/-2000A/-45662/-1520/-1535	ISO-9001, ANSI-J-STD-001